

VZCZCXRO9954  
PP RUEHCHI RUEHDT RUEHHM RUEHJO RUEHNH  
DE RUEHPF #1124/01 1661038  
ZNR UUUUU ZZH  
P 151038Z JUN 06  
FM AMEMBASSY PHNOM PENH  
TO RUEHC/SECSTATE WASHDC PRIORITY 6864  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY  
RUEHXI/LABOR COLLECTIVE PRIORITY  
RUEHGV/USMISSION GENEVA PRIORITY 1481  
RUEHC/DEPT OF LABOR WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 PHNOM PENH 001124

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EAP/MLS, DRL/IL--MARK MITTELHAUSER, AND  
EAP/TPP/ABT ED HEARTNEY  
COMMERCE FOR ITA/OTEXA MARIA D'ANDREA  
LABOR FOR ILAB--JIM SHEA AND JONA LAI  
GENEVA FOR RMA  
STATE PLEASE PASS TO USTR FOR BARBARA WEISEL

E.O. 12958: N/A

TAGS: [ELAB](#) [ECON](#) [KTEX](#) [PGOV](#) [CB](#)

SUBJECT: CAMBODIAN GARMENT SECTOR WORRIED ABOUT DRAMATIC  
INCREASE IN LABOR UNREST

REF: A. PHNOM PENH 526

[B](#). PHNOM PENH 814

[C](#). PHNOM PENH 998

[D](#). PHNOM PENH 1035

[1](#). (SBU) SUMMARY. Following several months of increased garment sector strikes, the number of working days lost to strikes reached 87,000 in May--more than four times typical levels. These strikes are largely the result of two irresponsible unions, but also reflect growing union rivalry, workers more assertively pushing for wage increases, and less effort expended in negotiation. In addition, a major pro-opposition garment sector union and the teachers' union have called for a general strike starting July 3 if demands about wages, workweek, and gasoline prices are not met. Garment factory managers and buyers are increasingly concerned--some have canceled plans for expansion, though the largest buyer, the Gap, plans to expand orders in Cambodia by 5%. We will continue to encourage more responsible behavior among problem unions, and have helped end the largest illegal strike. Nonetheless, the immaturity of union leadership and membership may slow progress. END SUMMARY.

#### Record-Breaking Numbers of Working Days Lost to Strikes

-----

[2](#). (SBU) After several months of increased labor unrest in the garment sector (Ref A), May has shown unprecedented levels of garment sector strikes: nearly 87,000 working days lost due to a total of nearly 18,000 workers participating in 13 strikes during the month. Strike activity is often somewhat more intense during the busy May through September garment production season, but working days lost to strikes generally range from 2,000 to 20,000 per month during this period, and only once before--in June 2003--rose above 50,000.

#### Two Irresponsible Unions Share Much of the Blame

-----

[3](#). (SBU) Much of the strike activity centers around two problematic unions--the Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) and the Khmer Youth Federation Trade Union (KYFTU). CCAWDU was formerly one of Cambodia's most well-respected unions, but its behavior has become increasingly rash following the ouster of former

President Chhorn Sokha (Ref B). More than half of the working days lost in May are due to a single strike at the Goldfame Factory which involved 5,700 workers striking for 8 days. After CCAWDU ignored back to work orders from the Arbitration Council and the Municipal Court, the embassy stepped in to persuade the union to return to work pending further negotiations.

14. (SBU) The Khmer Youth Federation Trade Union (KYFTU), led by Yun Rithy, is perhaps Cambodia's most notorious union, with a reputation for extortion, violence, and abandoning its workers mid-strike. After leading no strikes in January and two each in February, March, and April, KYFTU led strikes at seven factories in May, involving a total of 9,000 workers.

15. (SBU) The Garment Manufacturers Association of Cambodia (GMAC), pro-opposition union leaders, and pro-government union leaders have all reported that KYFTU factory level union leaders create labor disputes in order to extort USD 3000-5000 payments for resigning from their jobs. (Note: Cambodian labor law restricts the firing of factory-level union leaders. End Note.) KYFTU demands are often numerous and unrealistic, serving mainly as a pretext for a strike or extortion. In some cases, KYFTU representatives disrupted completed or nearly completed negotiations with lengthy lists of additional demands, despite having no previous presence at the factory in question. Yun Rithy told Poleconoff on June 14 that the strikes are driven by his workers, that there is no corruption in his union, and, most outlandishly, that the spike in strikes is due to a GMAC-International Labor Organization (ILO)-union conspiracy. Yun Rithy reportedly has ties to some CPP leaders, is well-armed, and is protected by a police general.

PHNOM PENH 00001124 002 OF 003

#### Union Competition, Ineffective Negotiation Also At Play

-----

16. (SBU) Several other factors also seem to be involved in the increased garment sector strikes:

--Increase in intra-union rivalry, both across and within federations: Pro-opposition Free Trade Union (FTU) leader Chea Mony accused a pro-management union leader of hiring thugs to attack a Bright Sky garment factory worker with machetes. Pro-government union federation leader Chhuon Momthol reports that there is rivalry even within his pro-management Cambodian Confederation of Trade Unions.

--Disputes turn into strikes more quickly: Unions and employers accuse each other of being unwilling to negotiate and pushing disputes to strikes more quickly than in the past. Unreasonable demands by KYFTU designed to elicit bribes seem to be muddying the waters, as there is an increasing perception that unions in general are unwilling to negotiate. Chea Mony has asserted that increased police intervention in suppressing strikes has led factory management to put less effort into negotiations. There is also an increasing frustration among unions with the arbitration process, and, for the first time, two unions recently defied Arbitration Council orders to return to work.

--Wage demands supplant rights issues as main cause: The American Center for International Labor Solidarity and GMAC report that in the past most strikes were due to labor rights violations, e.g. failure to pay wages or overtime, but now workers are striking to increase wages via higher minimum wages, more generous piece rates, and more generous attendance bonus policies.

#### Free Trade Union and Teachers Union Threaten General Strike

-----

17. (SBU) Meanwhile, the FTU and the Cambodian Independent Teachers Association (CITA) have continued their calls for a

general strike and set a deadline: FTU factory workers will lead sit down strikes at their factories on July 3 if the issue is not resolved before then. Garment workers from other unions and teachers will be invited to participate in the strike action as well. If the dispute is still not resolved, workers may take to the streets on July 6 or 7. (Note: The general strike threat originated in a May 1 speech in which Chea Mony and CITA leader Rong Chhun called for higher wages for garment workers and civil servants, shorter working hours, and reduced gasoline taxes.) On June 15, Chea Mony told Poleconoff that the general strike is "a test for me...whether I can command the workers" in advance of the 2007 local elections.

#### Little Government Action So Far

-----

18. (SBU) So far the government has taken few steps to address these concerns, aside from their on-going and not terribly effective attempts to mediate labor disputes and worker/employer education efforts. The Ministry of Labor and Vocational Training appears to still be organizing itself following the approval of a new Minister of Labor on May 23 (ref C). Minister of Commerce Cham Prasidh was very alarmed by the increasing numbers of strikes and warned Charge on May 30 that the combination of labor unrest and Vietnam's entry into the WTO could ruin Cambodia's garment industry (ref D). Prime Minister Hun Sen mentioned FTU and CITA's demands for higher wages for civil servants in a May 27 speech. Saying that the demands were made by "people with no knowledge of financial management," the Prime Minister said that raising civil servant salaries would require canceling infrastructure development plans or taxing farmers, things he would not do.

#### Garment Manufacturers Association Willing to Negotiate

-----

19. (SBU) GMAC, which initially dismissed these threats, has become increasingly concerned and told Poleconoff on June 12 that it is willing to accept a higher minimum wage and will

PHNOM PENH 00001124 003 OF 003

approach the ILO for negotiation assistance. Nonetheless, GMAC is extremely frustrated that the government has so far failed to address the issue, but suspects that the World Bank corruption scandal is distracting the relevant officials. GMAC recently sent a highly inflammatory letter to the Prime Minister suggesting that the trade and labor linkage (code language for the highly successful USG-funded Better Factories Cambodia factory monitoring project) should be scrapped as labor was now more of an impediment than a help to the industry. After stern words from the ILO and the embassy, GMAC has agreed to issue a revised letter expressing their continued support for Better Factories despite its frustration with the increase in labor disputes.

#### Some Garment Buyers Scale Back Planned Expansions...

-----

10. (SBU) GMAC and other labor observers are very concerned that late delivery and bad press related to the ongoing strikes will lead garment buyers to shift production out of Cambodia. Garment sector unions--which had to be prodded to contact buyers following the December 2005 crackdown on union and human rights activists--have now embraced the power of the internet and are bombarding buyers and socially responsible consumer groups with details of even the most routine labor disputes. Ken Loo, Secretary General of GMAC, reported that Levi Strauss, which bought 8 million pairs of Cambodian-made jeans in 2004 and 10 million pairs in 2005 had planned to buy 13 million pairs in 2006 but instead has downscaled their Cambodia purchases to 8 million. Loo also reports that Nike and Puma have shelved earlier decisions to expand purchases from Cambodia. Several large garment factories have considered moving to Vietnam, and some have concrete plans in place. Other large factories may either

downsize, limit overtime, or go from two shifts to one to cope with reduced orders, Loo speculated.

#### But a Concerned Gap Goes Ahead with Order Increase

-----

¶11. (SBU) During a June 13 meeting with Charge and Emboffs, the Gap told us that they are quite concerned about the expanding labor turbulence in Cambodia, but that they still plan to go ahead with plans to increase their purchases from Cambodia. The Gap--which single-handedly accounts for about 12% of Cambodia's GDP--has added new Cambodian factories to their base of suppliers and anticipates at least a 5% increase in orders from Cambodia. However, they also said that they had been on the phone frequently to their Cambodia-based vendor compliance officer learning the details of various disputes and that they had been deluged with "mail from all of Sweden" regarding a dispute at a factory that makes Gap products. Senior Director for Global Compliance Deanna Robinson warned that once investors leave, it is very difficult to get them back.

#### COMMENT

-----

¶12. (SBU) This huge increase in labor unrest--timed to coincide with the peak garment production season--has already drawn the attention of garment buyers and led some of them to scale back planned expansion of garment production in Cambodia. While KYFTU seems to be motivated by short-term goals of extorting money from garment factory owners, other unions seem to be just sophisticated enough to know when to time strikes and how to use the internet for maximum effect, without being savvy enough to realize that their actions are already having damaging consequences. The fact that two irresponsible unions--KYFTU and CCAWDU--are responsible for the bulk of the working days lost is good news, showing that most Cambodian unions are acting more responsibly. However, garment buyers may not look closely enough at the strike action to realize this. The increased labor unrest has already slowed this year's garment sector growth, and could even lead to net decreases in jobs and exports if it continues unchecked.

MUSSOMELI